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LTC Roger A. Rains

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ISSUE: U.S. Policy Regarding Iran in the Post-Gulf War Era

I. SUMMARY: Regardless of its outcome, the current Persian Gulf Crisis will necessitate a thorough reappraisal of U.S.-Iranian relations. A crisis conclusion consistent with the goals of United Nations Resolution 678 will inevitably increase Iran's already significant weight in the regional power equation and, thereby, force U.S. leaders to reconsider the level and character of America's presence in the Gulf. On the other hand, a coalition failure to dislodge the Ba'athist regime of President Saddam Hussein could prompt a wide variety of Iranian responses -- some inimical and others compatible with long-term U.S. interests. Whatever the future holds in store, the crisis will make an already resurgent Islamic Republic of Iran a regional actor we simply cannot ignore. This paper advances a framework for developing a new U.S. approach to Iran. It not only paints the historic backdrop against which the Bush Administration must craft its strategic review but also recommends a policy of cautious reapproachment -- a policy which will require the conduct of tough bilateral and multilateral negotiations dealing with issues ranging from a regional security accord to the fate of American hostages held by Lebanese terrorists.

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II. ISSUE DEFINITION: Since 1979, U.S.-Iranian relations have been schizophrenic. They have been prone to bitter public exchanges, but they have also involved far less visible occasions of cooperation effected through the good offices of silent third parties. The instant crisis in the Persian Gulf and President Hashemi Rasfajani's continuing consolidation of power will likely change all that. In fact, the press of events will force both parties to come to grips in a far more overt fashion with three major issues:

- * The reestablishment and maintenance of stability in the post-war Persian Gulf.

- * The development of an unimpeded flow of Persian Gulf oil -- a flow which could rekindle Iran's flagging economy.

- * The resolution of several outstanding bilateral disputes, especially the disposition of Iranian assets seized during the Carter and Reagan Administrations and the role of Iran as a sponsor of international terrorism.

III. BACKGROUND AND ANALYSIS:

A. The Fall of Mossadeq and the Rise of the Shah.

Historical memory runs deep in Persia. Events such as the Seventh Century assassination of Imam Ali ibn Abi Talib and the subsequent Karbala martyrdom of his son, Husayn,

still figure prominently in the Twentieth Century political process. Of course, America's checkered involvement in Iran is much more recent but none the less significant. It dates from the early 1950s when, with the apparent backing of the CIA, forces loyal to the young Muhammad Reza Shah toppled the government of Dr. Muhammad Mossadeq.

Dissatisfied with the Shah's accommodation of foreign oil interests, Mossadeq had rallied the popular National Front of clerics, bazaar merchants, and intellectuals; gained the prime ministership in 1951; and nationalized the Western dominated Anglo-Iranian Oil Company. In the process, he had not only drawn upon the spirit of Iranian nationalism but also satisfied the widespread desire for popular participation in what had been an historically authoritarian state. Unfortunately, the Eisenhower Administration saw him as a highly emotional, pro-left threat to U.S. security and economic interests in the region and, in consequence, took an active role in planning the August 1953 which toppled him.

In the wake of the coup, the pro-American Shah restored order, proscribed the communist Tudeh Party, negotiated mutually profitable oil deals with Western oil firms, and signed the 1955 Baghdad Pact. Viewed from the U.S. perspective, the Shah had performed admirably; but, viewed in retrospect, his grandiose vision of a thoroughly

Westernized Iran was fatally flawed. It failed to recognize the need to build greater structural legitimacy by creating institutions consistent with the tenets of Shi'ite doctrine and the spirit of Iranian nationalism. The Shah had missed a golden opportunity to foster pluralism, and the U.S. had backed a ruler who substituted the goal of Westernization for the goal of modernization his people really sought.

B. Islamic Revivalism and the Fall of the Shah.

To his credit, the Shah was quick to recognize the need for significant social change. In January 1963, he sponsored a nation-wide referendum to garner support for a program he called the "White Revolution" -- an ambitious plan for land reform, women's suffrage, improved literacy, enhanced health care, privatization of state-owned industries, and nationalization of natural resources. Although the popular reaction was mixed, the landed classes and the Shi'ite clergy reacted with vigor and vengeance. Followers of Ayatollah Ruhollah Khomeini staged violent demonstrations which triggered repressive Pahlavi responses including the 1964 exile of the Ayatollah.

But even from afar, the Ayatollah Khomeini continued to attack the Shah and his association with the "Great Satan" -- America. In January 1965, the Ayatollah masterminded the assassination of Hassan Ali Mansur, the progressive leader of the New Iran Party. And over the next decade and a half,

he exhorted Iranians to abandon the increasingly "Westoxication" of the Peacock Throne.

The U.S. remained largely blind to the influence the Ayatollah was acquiring as well as to the loyal following of students he was training. In fact, our leaders saw only the Shah -- a staunch ally who was not only developing Iran's economy to our mutual benefit but also building the Iranian pillar of the Nixon Doctrine to counter Soviet adventurism in the critical Gulf region. They saw only the glitter of the 2,500th anniversary of the Persian monarchy and lost sight of the simultaneous economic downturn and revolution of rising expectations which marked the mid-1970s. In a 1977 statement he would later regret, President Jimmy Carter betrayed America's strategic blindness in a phrase when he observed that the Shah's Iran was "an island of stability in one of the more troubled areas of the world." Like so many others, Carter simply did not see the Iranian populace's growing alienation from a Shah they viewed as a "superpower pawn," the raw chiliastic power of Shia Islam, and the extraordinary charismatic attraction of the heretical Ayatollah Khomeini who harangued them first from Turkey, then from Iraq and finally from the outskirts of Paris.

No wonder America's leaders were caught by surprise when the demonstrations of 1978 literally shut down the Iranian state, forced the departure of the indecisive Shah,

and ushered in the Twelve Days of Dawn -- the true Islamic revolution during which the Ayatollah Khomeini returned to and transformed the nation. No wonder the American people were dumfounded when, on 4 November 1979, the Ayatollah authorized the seizure of 61 American hostages from the U.S. Embassy in Teheran. And no wonder Americans watched in perplexed and anguished disbelief throughout the ensuing 444 days of our hostages' captivity.

C. Khomeini's Islamic Republic and the Iran-Iraq War.

As long-time Iran watchers Henry Precht and Charles Nass have concluded, the bitter truth is that between 1953 and 1979 America never looked beyond the geostrategic significance of Iran; U.S. leaders really never came to grips with the traditional, grassroots forces which animated the Iranian political scene and inevitably placed American interests in jeopardy. Unfortunately, for much of the next decade, what Americans perceived or failed to perceive made little difference. The 1980s were a time of internal turmoil and external battle for Iran -- a time of conscious estrangement from but peculiar influence on the West.

Employing the doctrine of vilayat-e faqih, the Ayatollah Khomeini sought to form a "true Islamic government" through which the Shia clergy could create a "just world" -- one suitable for the ultimate coming of the messianic Mahdi foreseen in Islamic prophecy. In doing so,

he called for a system that drew from "neither East, nor West" but was uniquely Islamic -- a system completely incongruous to the political mentality of most Westerners.

Iran's dangerous political and military situations were, however, crystal clear to at least one observer. President Saddam Hussein, the Ba'athist authoritarian who had recently come to power in neighboring Iraq saw all too clearly the threat Khomeini's exhortations for a jihad posed to the largely Shi'ite Iraq. He understood full well the extraordinary opportunity that Iran's confused political and weakened military postures offered.

On 22 September 1980, Hussein struck. For the next eight years, Iranians and Iraqis joined in bloody battles which inevitably attracted American reaction as U.S. leaders sought to:

- * Prevent the disruption of Gulf oil shipments.
- * Ensure the security of the moderate oil-producing states in the region.
- * Preclude the Soviets from taking advantage of the situation and assuming a dominant position in the area.

Strategic concerns led American leaders away from a neutral stance to a more pro-Iraqi posture. In fact, threats to the world's economic jugular prompted a growing U.S. naval presence in the Gulf as well as the reflagging and escorting of Kuwaiti vessels. And, in one of the most bizarre turns of modern diplomatic history, the Reagan Administration undertook covert negotiations with Iranian moderates to use arms sale to obtain the release of the growing number of American hostages held in Lebanon by pro-Iranian groups. When disclosed in 1986, the "Irangate" scandal not only rocked the Western world but also threatened the future of Hojatoluslam Hashemi Rasfanzani, the Speaker of the Majlis and a figure who would play an increasingly significant role in the post-Khomeini Iran.

Iraqi successes in 1988 forced the Iranian leaders to accept the ceasefire called for in United Nations Resolution 598. Although characterizing the acceptance of the U.S.-backed resolution as "more deadly than poison," the Ayatollah Khomeini apparently understood the futility of further battle, the growing international isolation of Iran, and its dire economic situation. A year later, the Ayatollah was dead, but the struggle for power and economic renewal in the post-Khomeini Iran had only begun.

D. Hashemi Rasfanjani's Iran and the Gulf War.

The winner of that struggle has clearly been Hashemi Rasfanjani. Although still challenged by the more radical forces of Ahmad Khomeini, the son of the late Ayatollah, and former Interior Minister Ali Akbar Mohtashemi, Rasfanjani has won the presidency, rallied the clergy, consolidated his political control over the nation, and dramatically improved relations with the "Lesser Satan" -- the Soviet Union.

Nevertheless, he faces difficult challenges. Iran's economy suffers from rampant inflation, high unemployment, low investment, inefficient and flagging oil production, as well as systemic corruption. Moreover, the national leadership is losing ground to a population explosion and waning political fervor. In the political domain, Rasfanjani must contend with those who call for the active exportation of the Islamic Revolution as well as those who advocate a passive posture from which the Islamic Republic can serve as an example for other nations to emulate.

Thus far, he appears to have walked the political tightrope with considerable finesse. He has successfully balanced -- to use R.K. Ramazani's terms -- the more moderate "Iran Firsters" with the idealistic, revolutionary "Islam Firsters." In doing so, he has embraced the notion of an "interdependent world" in which Iran must play, but from which it must maintain a sufficient distance. For

example, President Rasfanjani has worked through Algerian, Japanese, and Swiss intermediaries to free two of the eight American hostages commonly recognized to be held by Sheik Mohammed Hussein Fadlallah's pro-Iranian Hizballah in Lebanon. Moreover, he has bargained in good faith at the Iran-U.S. Claims Tribunal at the Hague. In fact, the low-profile Tribunal continues to make considerable progress in disposing of the massive claims of Iranians and Americans alike on the \$11-billion of Iranian assets frozen in the 1979-81 timeframe.

On 1 August 1990, American-Iranian relations were far from cordial, but both parties were at least talking quietly on the sidelines about issues of common concern. Saddam Hussein's 2 August invasion of Kuwait will undoubtedly change all that. Today, even the most conservative commentators are quick to point out that, in the wake of the Gulf War, Rasfanjani's Iran will have new political leverage it will use. Buoyed by a windfall oil profit resulting from the Gulf War, by the happy prospects of a defeated Saddam Hussein, and by their burgeoning military advantage in the region, Iran's leaders will demand a front row seat at the post-war negotiating table. There, they can and will drive hard bargains. In fact, Western negotiators can anticipate that in exchange for participation in regional security and arms control regimes, the Iranians will seek significant European financing for reconstruction and investment as well

as the return of many of the assets impounded during the 1979-81 period. Ironically, this apparent empowerment of Iran may give the Bush Administration an opportunity to improve U.S.-Iranian relations.

After a decade of distrust and divisiveness, Washington and Teheran clearly have major convergent interests:

- * Both seek a Gulf War resolution which will yield a less powerful Iraq.

- * Both seek a long-term security accord which will foster a more stable region.

- * Both desire an unimpeded flow of oil through the Persian Gulf.

Of course, there are many roadblocks to be overcome before mutually beneficial agreements can occur. But perhaps this time U.S. leaders will profit from the mistakes of the past. Perhaps, in 1991, we can see more clearly than before the true character and aspirations of Iranian people and negotiate accordingly.

Specifically, our approach to today's Iran should not only be evenhanded and firm but also sensitive to the internal tensions with which President Rafsanjani must

contend. We must remember, as Henry Precht has noted, that "Iran is headed toward a synthesis of major strands in its national life.... The elements of secularism and religion will somehow work out a framework for coexistence."

America's role cannot be to chart that framework, but rather to deal more effectively with the legitimate Iranian political, economic, and social structures that do emerge.

IV. RECOMMENDATIONS:

A. Five Foundation Stones for a New Policy. Past policy experience and the present opportunity recommend a cautious but firm approach compatible with the administration's "New World Order" strategy. One such approach would focus on five major bilateral and multinational initiatives:

- * Include Iran in those post-war negotiations designed to bring stability to the Gulf region.

- * Use the crisis resolution epoch to involve Iran in a regional arms control regime.

- * Exploit European and international institutions to attract Iran into a mutually advantageous economic relationship -- a relationship focused on maintaining the unimpeded flow of oil from the region, the liberalization of trade, and the modernization of the Iranian economy.

- * Take advantage of the peacemaking process to obtain the release of all American hostages held by pro-Iranian terrorists and to achieve final resolution of the "frozen asset" issues.

- * Use Iranian neutrality in the Gulf War as justification for adopting a new, less strident rhetorical line -- one which fosters recognition of the Islamic Republic as a legitimate government rather than as a purveyor of violent Islamic Revolution and terrorism.

B. Policy Strengths. The aforementioned recommendation has several notable strengths.

- * It exploits the window of opportunity borne of the end of the Cold War and the Gulf Crisis.

- * It uses third parties including European states as well as multinational and Islamic institutions and, in consequence, avoids the weighty political baggage of the last decade of strained relations.

- * It provides the first steps toward reintegration of post-Khomeinin Iran into the larger community of nations.

- * It holds out the possibility for the near-term resolution of several long-term U.S.- Iranian problems.

C. Policy Weaknesses. Of course, the recommendation also involves several arguable assumptions and some risks.

- * It assumes the implicit cooperation of a pragmatic, probably Rasfajani-led, regime which can withstand internal challenges to its legitimacy.

- * It assumes the absence of hegemonic intent among Iranian leaders as well as their growing commitment to internationally accepted human rights standards.

- * It places considerable trust in a wide variety of European and multinational institutions which in times of crisis might not support the realization of U.S. interests.

- * It requires the support of the U.S. Congress and influential elites who, heretofore, have been largely ignorant of and hostile to the Islamic Republic of Iran.

